

ANNUITISATION AS AN INSURANCE SOLUTION TO PEOPLE OUTLIVING THEIR RETIREMENT SAVINGS

ZURICH, Tuesday 3 July – The risk of people outliving their retirement savings represents a threat to their standard of living, meaning many could lapse into poverty; however, the annuitisation of occupational pension assets represents an insurance solution to this societal issue, according to a study of The Geneva Association, the leading international think tank of the insurance industry.

The report 'Annuity: Retirement Income That Lasts a Lifetime' indicates that increased life expectancy, low fertility rates and low interest rates are putting extreme pressure on government-provided retirement plans, known as Pillar I, and are leading to a reduction of benefits for people going into retirement, who must increasingly deal with complex decisions about their occupational pension plans, known as Pillar II.

Anna Maria D'Hulster, Secretary General of The Geneva Association, said: "Starting to save earlier, at a higher rate, and increasing contributions over time helps to secure a large enough Pillar II pension to fund retirement. Purchasing a lifetime annuity with all or part of the retiree's Pillar II can help to ensure that an individual will not outlive his or her retirement funds."

The report looks at the Pillar II programmes for the U.S., U.K. and Switzerland. The U.S. system has been transferring retirement risk from employers to employees, while the U.K. has provided more freedom for retirees and put more pressure on the government. The Swiss system has features that cause the average Swiss employee to save more for retirement than his or her counterpart in the U.S. or U.K.

The report recommends that the default options for Pillar II programmes should be based upon three principles: automatic enrolment of employees into an occupational pension plan, automatic escalation of contributions with age and duration of employment, and some level of mandatory annuitisation.

Ronald Klein, Director Global Ageing at The Geneva Association and author of the report, comments: "It is difficult to construct one system of occupational pensions that would be fit for purpose in every country. However, it is beneficial to all parties to require that at least some of Pillar II savings are annuitised so that retirees ensure they live above the poverty line."

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Links:

- [Full report](#)
- [Four-page summary](#)

PRESS RELEASE



- [Insurance and Retirement Income hub](#)

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